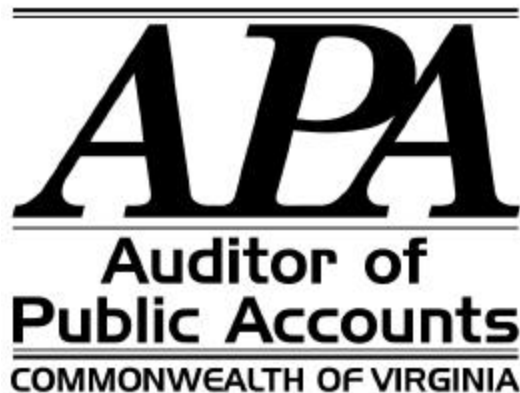


**VIRGINIA POLYTECHNIC INSTITUTE
AND STATE UNIVERSITY
BLACKSBURG, VIRGINIA**

**INTERCOLLEGIATE ATHLETIC PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2001**



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October 23, 2001

The Honorable James S. Gilmore, III
Governor of Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission

Dr. Charles W. Steger
President, Virginia Polytechnic
Institute and State University

INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES

We have audited the financial statements of **Virginia Polytechnic Institute and State University** as of and for the year ended June 30, 2001, and have issued our unqualified report thereon dated October 12, 2001. At the request of the President of the University, we have also performed certain agreed-upon procedures to the University's Intercollegiate Athletic Programs for the fiscal year ended June 30, 2001, discussed below, solely to assist the University in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. The University is responsible for the Intercollegiate Athletic Programs. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the University. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs - Agreed-Upon Substantive Procedures

- a. We obtained the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs (the Schedule) for the year ended June 30, 2001, as prepared by the University and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets and agreed the amounts on management's

worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. We noted no differences between the amounts in the Athletics Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of worksheet adjustments with management and are satisfied that the adjustments are appropriate.

- b. We applied certain analytical review techniques to the balances reported on the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and other tests using operating data and reviews of actual amounts expended in comparison to budgeted amounts.
- c. We vouched each individual contribution received directly by the University for its Intercollegiate Athletic Programs that constituted more than ten percent of the contributions so received. Except for contributions received from the Virginia Tech Foundation, Incorporated, an affiliated organization, and the Virginia Tech Athletic Fund, Incorporated, a booster organization, we noted no individual contribution that constituted more than ten percent of total contributions received for intercollegiate athletics.

Because the above procedures "a" through "c" do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs or any of the accounts or items referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the specified accounts or items should be adjusted. Had we performed additional procedures or had we made an audit of any financial statements of the intercollegiate athletics department of Virginia Polytechnic Institute and State University in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to the President of the University. This report relates only to the accounts and items specified above and does not extend to the financial statements of Virginia Polytechnic Institute and State University or its Intercollegiate Athletic Programs taken as a whole.

Internal Control Related to Intercollegiate Athletic Programs - Agreed-Upon Procedures

The management of Virginia Polytechnic Institute and State University is responsible for establishing and maintaining internal control for its Intercollegiate Athletic Programs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings are as follows:

- d. We reviewed an organizational chart provided by the Intercollegiate Athletics Department and discussed it with appropriate personnel. We reviewed documentation of accounting systems and operating procedures. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, and protection of records and equipment.
- e. We reviewed internal control over cash receipts and disbursements, including payroll, for the Intercollegiate Athletic Programs. We reviewed the relationship of internal control over Intercollegiate Athletic Programs to internal control reviewed in connection with the audit of the University's financial statements. Our review also included those controls unique to intercollegiate athletics, which have not been reviewed in connection with the audit of the financial statements.
- f. We reviewed the University's procedures for monitoring booster group activities and concluded that those procedures were adequate.

Agreed-upon procedures "d" through "f" applied to certain aspects of the University's internal control were more limited than would be necessary to express an opinion on internal control of Virginia Polytechnic Institute and State University in effect for the year ended June 30, 2001, taken as a whole. Because our review and evaluation was limited to applying those agreed-upon procedures, we do not express such an opinion. In connection with applying procedures "d" through "f" above, we noted no material weaknesses relating to internal control over the Intercollegiate Athletic Program activities administered by the University.

This report is intended solely for the information and use of University and authorized representatives of the National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

JEG:aom
aom:48

SCHEDULE

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
SCHEDULE OF REVENUES AND EXPENDITURES
OF INTERCOLLEGIATE ATHLETIC PROGRAMS
For the Year Ended June 30, 2001

	Football	Men's Basketball	Women's Basketball
Operating revenues:			
Ticket sales	\$ 7,383,990	\$ 715,129	\$ 159,647
TV and radio	2,095,661	168,470	42,117
Program sales	16,322	2,110	930
Advertising	109,086	29,090	7,272
Gifts:			
Unrestricted	462,223	394,680	557,274
Restricted - scholarship support	1,334,822	196,337	231,802
Restricted - other	813,340	-	150,000
Student activity fees	-	-	-
Concessions	209,666	41,988	24,586
Investment income	50,344	-	-
Conference allocation	1,746,000	55,822	37,941
NCAA allocation	-	-	-
Lease assessments	-	-	-
Parking	213,903	-	-
Other income	87,493	13,146	4,133
Bowl Game/NCAA revenue	1,814,004	-	64,467
Total operating revenues	16,336,854	1,616,772	1,280,169
Operating expenditures:			
Coaches' salaries	2,213,262	461,236	390,498
Other salaries	401,155	98,524	93,513
Fringe benefits	396,708	114,789	95,371
Travel:			
Team	1,105,233	118,911	177,392
Recruiting	147,821	57,193	55,039
Administrative	122,444	7,493	22,888
Game settlements	875,000	135,175	7,589
Conference fee	-	-	-
Financial aid	1,372,054	201,740	238,181
University administrative fee (Note 5)	-	-	-
Repairs, maintenance, equipment, and supplies	1,682,202	395,237	682,978
Game officials	68,656	73,714	59,338
Insurance	3,122	-	689
Printing, photography, and subscriptions	116,827	20,867	21,098
Telecommunications	93,990	32,790	26,226
Publicity	140,618	127,865	79,742
Game operations	78,574	5,615	5,615
Medical	46,915	10,817	13,622
Other	1,020,162	115,429	87,406
Total operating expenditures	9,884,743	1,977,395	2,057,185
Excess (deficiency) of revenues over (under) expenditures for the year	6,452,111	(360,623)	(777,016)
Transfers to plant funds for capital improvements	-	-	-
Excess (deficiency) of revenues over (under) expenditures and transfers for the year	\$ 6,452,111	\$ (360,623)	\$ (777,016)

The accompanying Notes to the Schedule of Revenues and Expenditures
of Intercollegiate Athletic Programs are an integral part of this Schedule.

Men's Other Sports	Women's Other Sports	Non-Program Specific	Total
\$ -	\$ 490	\$ -	\$ 8,259,256
-	-	-	2,306,248
-	-	217,720	237,082
-	-	-	145,448
72,024	118,124	340,783	1,945,108
502,744	790,757	94,254	3,150,716
-	-	-	963,340
-	1,922,128	3,906,581	5,828,709
-	-	-	276,240
-	-	472,355	522,699
87,153	48,296	-	1,975,212
-	-	235,905	235,905
-	-	423,122	423,122
-	-	-	213,903
-	-	70,275	175,047
5,799	-	-	1,884,270
667,720	2,879,795	5,760,995	28,542,305
487,538	434,933	184,695	4,172,162
10,273	19,604	2,414,492	3,037,561
145,443	127,135	666,209	1,545,655
361,326	345,996	14,640	2,123,498
39,327	59,680	-	359,060
21,842	20,279	64,891	259,837
-	168	-	1,017,932
-	-	200,000	200,000
516,580	1,254,617	96,848	3,680,020
-	-	966,533	966,533
138,853	284,684	1,204,126	4,388,080
21,813	18,559	-	242,080
-	-	144,369	148,180
4,974	3,757	130,671	298,194
24,616	28,948	160,231	366,801
24,876	30,417	94,774	498,292
8,135	7,535	31,647	137,121
36,853	31,196	52,716	192,119
77,026	78,429	411,598	1,790,050
1,919,475	2,745,937	6,838,440	25,423,175
(1,251,755)	133,858	(1,077,445)	3,119,130
-	-	1,592,330	1,592,330
\$ (1,251,755)	\$ 133,858	\$ (2,669,775)	\$ 1,526,800

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES OF
INTERCOLLEGIATE ATHLETIC PROGRAMS

AS OF JUNE 30, 2001

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of current funds revenues and expenditures of the intercollegiate athletic programs of the University for the year ended June 30, 2001. The Schedule includes those intercollegiate athletics revenues and expenditures made in behalf of the University's athletics programs by outside organizations not under the accounting control of the University. Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position, changes in fund balances, or current funds revenues and other additions, expenditures and other deductions for the year then ended. Revenues and expenditures directly identifiable with each category of sport presented are reported accordingly. Revenues and expenditures not directly identifiable to a specific sport are reported under the category "Non-Program Specific."

2. AFFILIATED ORGANIZATIONS

The University received \$5,435,722 from the Virginia Tech Foundation, Incorporated. Approximately \$2,884,715 of these funds were for grant-in-aid scholarships for student-athletes. These contributions are included in the accompanying schedule.

3. OBLIGATIONS

The Athletic Department had an outstanding installment purchase agreement at June 30, 2001, for copier equipment with an outstanding principal balance of \$3,468 and interest balance of \$34.

The Athletic Department canceled the football games scheduled with James Madison University through 1999. The contract settlement requires a payment of \$25,000 to James Madison University on March 31 of 2004.

4. BONDS PAYABLE

In October 1996, two revenue bonds totaling \$9,790,000 were issued for the Athletic Department. A \$6,250,000 bond for athletic facility improvements will be repaid with general operating revenues through 2016. Also, a \$3,540,000 bond was issued for the Merryman Athletic facility. This bond will be repaid with private fund raising by the University through 2004.

5. UNIVERSITY ADMINISTRATION FEE

As with all auxiliary enterprises, the University charges the Athletic Department an administrative fee. During the fiscal year, the Department paid \$966,533 that is recorded as Non-Program Specific.

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Blacksburg, Virginia

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